

Message Text

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INFO CINCPAC

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E.O. 11652: GDS
TAGS: MASS, ID
SUBJECT: ASSESSMENT OF US SECURITY ASSISTANCE PROGRAM FOR FY 1979

REF: STATE 133136

SUMMARY

1. BECAUSE THEIR COUNTRY POSSESSES OVER HALF OF SOUTHEAST ASIA'S HUMAN AND NATURAL RESOURCES AND SITS ASTRIDE THE MAIN SEA LANES BETWEEN THE PACIFIC AND INDOAN OCEAN BASINS, INDONESIANS TEND JUDGE U.S. DETERMINATION TO REMAIN PACIFIC POWER PARTLY IN TERMS OUR RESPONSE TO INDONESIAN SECURITY REQUIREMENTS. ALTHOUGH US ECONOMIC ASSISTANCE HAS MADE A MUCH GREATER CONTRIBUTION TO INDONESIA'S "NATIONAL RESILIENCE", MILITARY ASSISTANCE HAS ASSUUMED DISPROPORTIONATE SYMBOLIC IMPORTANCE AS A BAROMETER OF US INTEREST IN THE REGION. SINCE MILITARY LEADERS ARE KEY DECISION MAKERS IN ALMOST ALL GOVERNMENTAL SECTORS, THE TRUST AND GOOD WILL BUILT UP THROUGH MILITARY ASSISTANCE HAS SERVED A WIDE RANGE OF US OBJECTIVES FROM THE PRESERVATION OF THE GOI'S CONSTRUCTIVE REGIONAL AND
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INTERNATIONAL ROLE TO BETTER PERFORMANCE IN THE FIELD OF HUMAN RIGHTS.

2. THE GOI REALISTICALLY PERCEIVES THE PRIMARY SECURITY THREAT AS EXTERNAL SUPPORT FOR A THIRD REVIVAL OF THE ONCE POWERFUL, PHOENIX-LIKE INDONESIAN COMMUNIST PARTY, COMING IN THE MEDIUM TERM FROM AN EXPANSION OF VIETNAMESE INFLUENCE

IN CONTINENTAL SOUTHEAST ASIA AND IN THE LONG TERM FROM DEVELOPMENT OF PRC CAPABILITIES TO SUPPORT INSURGENCIES BEYOND ITS BORDERS. TO MEET THIS THREAT THEY WISH TO BUILD UP (A) A MOBILE FORCE CAPABLE OF QUICK REACTION IN FAR REACHES OF THE ARCHIPELAGO AND FOR POSSIBLE DEPLOYMENT ON A "FORWARD DEFENSE LINE" IN MALAYSIA, (B) A SURVEILLANCE CAPABILITY OF THE SEA AND AIR APPROACHES TO THE ARCHIPELAGO, AND (C) A SMALL NUCLEUS OF MODER MILITARY TECHNOLOGY, WHICH COULD BE EXPANDED IF THE FUTURE THREAT SO JUSTIFIED. IN PURSUING THESE OBJECTIVES THE INDONESIANS PLAN QUANTITATIVE PERSONNEL REDUCTIONS AND QUALITATIVE EQUIPMENT ACQUISITIONS INCLUDING A JET INTERCEPTOR SQUADRON, RADAR/ COMMUNICATIONS FACILITIES, MISSILE-EQUIPPED PATROL CRAFT AND AN M-16 RIFLE CO-PRODUCTION FACILITY. THEY PREFER TO PURCHASE MAJOR ITEMS FROM THE US IN ORDER TO REDUCE THE BURDEN ON THEIR LOGISTICAL SYSTEMS AND ACHIEVE EQUIPMENT COMMONALITY WITHIN ASEAN, BUT WILL PURCHASE ELSEWHERE IF TERMS ARE BETTER. THESE ACQUISITIONS SHOULD NOT HAVE A SIGNIFICANT IMPACT ON THE INDONESIAN ECONOMY IF REASONABLY GOOD TERMS ARE NEGOTIATED. INDONESIAN MILITARY INVESTMENT ITEMS CONTINUE TO ACCOUNT FOR LESS THAN THREE PERCENT OF THE DEVELOPMENT BUDGET.

3. IN THE AMBASSADOR'S VIEW OUR MAJOR RELEVANCE TO INDONESIAN LEADERSHIP COMES FROM A CREDIBLE U.S. WILLINGNESS TO PROVIDE A PRESENCE (UNDEFINED) IN THE SOUTHEAST ASIA AREA WHICH
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PRECLUDES THE DOMINATION OF THE REGION BY A HOSTILE COMMUNIST POWER. MILITARY ASSISTANCE IS A FACTOR WHICH PROVIDES US SOME DEGREE OF GREATER ACCESS THAN OTHER COUNTRIES AND SOME LEVERAGE ON HUMAN RIGHTS ISSUES. WE STRONGLY OPT FOR CONTINUATION OF FMS CREDITS ON MORE FAVORABLE TERMS IN ORDER TO SUPPORT AN ON-GOING MEANINGFUL PROGRAM. THE UNILATERAL CESSATION OF SUCH CREDITS, PARTICULARLY IF IT IS FOR HUMAN RIGHTS REASONS, WOULD CAUSE A LOCAL REACTION ADVERSE TO OUR INTERESTS. IF INDONESIANS, HOWEVER, DETERMINE FOR THEIR OWN REASONS TO TURN TO OTHER SOURCES OF SUPPLY, OUR POSITION WOULD NOT BE SERIOUSLY THREATENED SO LONG AS WE DEMONSTRATED OUR CONTINUED DETERMINATION TO REMAIN A SIGNIFICANT INFLUENCE IN EAST AND SOUTHEAST ASIA. END SUMMARY

4. DESPITE THE ANTICIPATED TERMINATION OF U.S. GRANT ASSISTANCE IN FY 78 AND THE AVAILABILITY OF LARGE AMOUNTS OF CREDIT UNDER TERMS MORE FAVORABLE THAN FMS FROM WESTERN EUROPEAN SUPPLIERS, THE UNITED STATES WILL UNDOUBTEDLY REMAIN THE INDONESIANS' PREFERRED SOURCE FOR MILITARY EQUIPMENT BECAUSE (A) THEY BELIEVE THE CONTINUED COINCIDENCE OF BASIC INDONESIAN AND U.S. SECURITY INTEREST WILL HELP ENSURE DEPENDABLE SUPPLY, (B) THEY

WISH TO HAVE EQUIPMENT COMMONALITY WITH THEIR POTENTIAL LOCAL ALLIES, WHO RELY FOR THE MOST PART ON U.S. EQUIPMENT, (C) THEIR LOGISTICS SYSTEMS ARE GEARED TO AMERICAN EQUIPMENT, AND (D) THEY BELIEVE U.S. EQUIPMENT AND PARTICULARLY U.S. FOLLOW-ON SERVICES ARE SUPERIOR TO THOSE OF OTHER SUPPLIERS. MORE IMPORTANT, U.S. MILITARY ASSISTANCE IS SEEN AS A SYMBOL OF U.S. DETERMINATION TO REMAIN A PACIFIC POWER AND AS A BAROMETER OF U.S. INTEREST IN THE SECURITY OF SOUTHEAST ASIA IN GENERAL AND INDONESIA IN PARTICULAR.

5. BECAUSE OF ITS SYMBOLIC CONTENT AND BECAUSE THE GOI IS AND UNDOUBTEDLY WILL CONTINUE TO BE A MILITARY-BASED REGIME, U.S. MILITARY ASSISTANCE CONTRIBUTES EITHER DIRECTLY OR INDORECTLY TO THE PURSUIT OF ALMOST ALL OF OUR BASIC
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POLICY GOALS IN INDONESIA, PARTICULARLY: (A) THE PRESERVATION OF THE GII'S CONSTRUCTIVE REGIONAL ROLE AND ITS BASICALLY MODERATE INTERNATIONAL ORIENTATION; (B) THE SAFE-GUARDING OF AIR AND SEA LINES OF COMMUNICATIONS BETWEEN THE PACIFIC AND INDIAN OCEANS, WHICH ARE IMPORTANT TO ALL FREE WORLD POWERS AND VITAL TO OUR ALLY JAPAN; (C) INCREASED INDONESIAN SELF-SUFFICIENCY IN SECURITY MATTERS; (D) WELL-MANAGED, BALANCED ECONOMIC DEVELOPMENT; (E) INDONESIAN ACCEPTANCE OF A US RAPPROCHMENT WITH COMMUNIST COUNTRIES OF EAST ASIA AND (E) CONTINUED IMPROVEMENT IN INDONESIA'S PERFORMANCE IN THE HUMAN RIGHTS FIELD.

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6. THE FOLLOWING RESPONSES ARE KEYED TO THE QUESTIONS IN PARA 4
REFTEL:

A. CONDITIONED BY THE HISTORICAL EXPERIENCES OF THREE
MAJOR COMMUNIST UPRISINGS IN THE PAST HALF CENTURY, INDONESIANS
MOST FEAR FOREIGN INCITEMENT OF AND ASSISTANCE TO INSURGENCIES
IN THEIR FAR FLUNG ARCHIPELAGO. NATIONAL CONSOLIDATION IS STILL
TOO RECENT FOR FEARS OF REGIONAL SEPARATION TO SUBSIDE. WHILE THEY
BELIEVE THAT THE IMMEDIATE THREAT IS MINIMAL, THEY ARE
CONCERNED OVER THE MEDIUM-TERM THREAT FROM A VIETNAMESE
SUPPORTED EXPANSION OF HOSTILITIES IN CONTINENTAL SOUTHEAST
ASIA AND THE LONG-TERM THREAT POSED BY THE DEVELOPMENT OF
PRC ABILITY TO INCITE AND SUPPORT INSURGENCIES IN THE
ARCHIPELAGO. THE GOI'S PLITICAL, ECONOMIC AND DIPLOMATIC
STRATEGIES TO MEET THE PERCEIVED THREAT ARE FOCUSED ON:

(1) BUILDING UP THE "NATIONAL RESILIENCE" NOT ONLY OF
INDONESIA BUT OF THE OTHER ASEAN STATES BY SOCIAL AND ECONOMIC
DEVELOPMENT OBTAINED, FIRST, THROUGH GREATER REGIONAL
COOPERATION AND, SECOND, THROUGH CONTINUED ECONOMIC ASSOCIATION
WITH JAPAN, THE US AND WESTERN EUROPE; AND (2) AVOIDING ANTAGONIZ-
ING THE SRV AND THE PRC AND TO SEEK AREAS OF COOPERATION WITH
THESE COMMUNIST STATES WHICH MIGHT FORESTALL OR WEAKEN
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THE PERCEIVED THREAT. MILITARY STRATEGY IS FOCUSED
ON SURVEILLING SEA AND AIR ROUTES TO THE ARCHIPELAGO,
MOVING FORCES TO MEET INTERNAL SECURITY THREATS, ASSISTING
TO A LIMITED DEGREE NEIGHBORS THREATENED BY COMMUNIST AGRES-
SION (THE GOI HAS APPARENTLY FIXED ITS "FORWARD DEFENSE
LINE" IN MALAYSIA), AND BUILDING UP A SMALL NUCLEUS OF
MODERN TECHNOLOGY WHICH MIGHT FORM THE BASIS FOR FUTURE
EXPANSION IF REQUIRED. THE MISSION BELIEVES THAT, ALTHOUGH
ITS RHETORIC IS SOMETIMES EXCESSIVE, THE GOI HAS A REALISTIC
PERCEPTION OF ACTUAL AND POTENTIAL THREATS AND THAT THE
STRATEGIES DEvised TO MEET THEM ARE APPROPRIATE.

B. IN THE MISSION'S OPINION, THE PROJECTED THREAT
JUSTIFIES THE CONTINUED PROVISION OF US SECURITY ASSISTANCE.
IN THIS RESPECT WE WOULD EMPHASIZE AGAIN THE PSYCHOLOGICAL
IMPORTANCE OF DEMONSTRATING CONTINUED US INTEREST IN INDONESIA'S
LONG-RANGE SECURITY. ALTERNATIVE THREATS, FOR EXAMPLE ARMED
MOSLEM INSURGENCIES ASSISTED BY LIBYA, SEEM CURRENTLY UNLIKELY.

C. THE GOI BELIEVES THAT THE CURRENT NUMBER (APPROXIMATELY
180,000) AND DISPOSITION OF ITS TERRITORIAL GROUND FORCES ARE
ADEQUATE TO COUNTER ANY INTERNALLY-GENERATED INSURGENCY. AN

IMPROVED RECONNAISSANCE/STRIKE CAPABILITY IS SOUGHT TO MEET THE THREAT OF EXTERNALLY-SUPPORT INSURGENCIES. THE GOI IS ACTIVELY UPGRADING ITS STRATEGIC GROUND FORCES, WHICH CONSIST OF THREE BRIGADES, FOUR SEPARATE AIRBORNE BATTALIONS AND THREE GROUPS OF SPECIAL FORCES. IT IS CONCURRENTLY REDUCING PERSONNEL IN THE NAVY (FROM 26,000 TO 25,000 IN 1978) AND AIR FORCE (FROM 29,000 TO 20,000) AND INTRODUCING QUALITATIVE EQUIPMENT IMPROVEMENTS, INCLUDING ONE SQUADRON OF MODERN INTERCEPTOR AIRCRAFT, MISSILE-EQUIPPED PATROL CRAFT, TWO SUBMARINES AND MODERN RADAR/COMMUNICATIONS FACILITIES. AIMING AT INCREASED SELF-RELIANCE, THE GOI

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ALSO PLANS TO EXPAND MILITARY INFRASTRUCTURE BY ESTABLISHING A FACTORY TO PRODUCE A MODERN RIFLE THAT WILL BECOME THE STANDARD SMALL ARM OF INDONESIA'S GROUND FORCES. IN OUR JUDGEMENT, INDONESIA'S PLANS TO MODERNIZE AND MODESTLY EXPAND ITS MILITARY CAPABILITIES COMPLEMENT US POLICY OBJECTIVES. ALTHOUGH WE QUESTION THE PRIORITY GIVEN TO SUBMARINES, ALL OTHER MAJOR ITEMS OF EQUIPMENT SEEM AMPLY JUSTIFIED.

D. DEFENSE ARTICLES AND SERVICES - FY 1979. INDONESIA'S STRONG PREFERENCE FOR US MILITARY EQUIPMENT SHOULD CONTINUE INTO FY 1979, BUT MORE FAVORABLE CREDIT TERMS FROM WESTERN EUROPEAN SUPPLIERS COULD SHIFT PURCHASES TO THESE SOURCES. POSSIBLE REQUESTS FOR MAJOR DEFENSE ARTICLES AND SERVICES IN FY 1979 ARE AS FOLLOW:

(1) IMET. THE GOI WILL PROBABLY CONTINUE TO SEEK US TRAINING, BOTH CONUS TRAINING FOR INDONESIAN STUDENTS AND MOBIEL TRAINING TEAMS (MTTS) WHICH ARE FUNDED BY IMET ON A GRANT BASIS. THE GOI ATTACHES A VERY HIGH PRIORITY TO THIS TRAINING WHICH HELPS ESTABLISH THE KIND OF TECHNICAL EXPERTISE INDONESIA SEEKS. IT SERVES US INTERESTS BY CREATING NEEDED TECHNICAL AND MANAGEMENT SKILLS FOR THE EFFICIENT OPERATION OF INDONESIA'S DEFENSE ESTABLISHMENT AND BY BUILDING UP UNDERSTANDING AND APPRECIATION LF AMERICAN VALUES WITHIN THE MILITARY SERVICES, WHICH PROVIDE DECISION MAKERS FOR ALL SECTORS OF INDONESIAN SOCIETY.

(2) FOLLOW-ON SUPPORT FOR US-ORIGIN EQUIPMENT. THE GOI WILL MOST LIKELY REQUEST FMS CASH ARRANGEMENTS FOR FOLLOW-ON SUPPORT OF US-ORIGIN EQUIPMENT, SOME OF WHICH WAS PREVIOUSLY SUPPORTED BY GRANT AID. FROM THE US POINT OF VIEW, SPARE PARTS AND FOLLOW-ON SUPPORT ARE ESSENTIAL TO PROTECT PREVIOUS US INVESTMENTS OF MATERIEL AND TRAINING AND THE US REPUTATION FOR QUALITY AND DURABILITY OF MILITARY EQUIPMENT. THE USDLG HAS ENCOURAGED AND SUPPORTED THE GOI'S ASSUMPTION OF ALL OPERATIONS AND MAINTENANCE REQUIREMENTS.

(3) F-5E AIRCRAFT. THE GOI MAY SEEK TO PROCURE F-5E AIRCRAFT

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DURING FY 1979. THE GOI HAS REQUESTED LETTERS OF OFFER FOR 12 F-5 AIR CRAFT AND, IF AN AGREEMENT IS REACHED, A PORTION OF FY77, FY78 AND FY79 FMS CREDITS MAY BE ALLOCATED TO THE ACQUISITION OF THESE AIRCRAFT. THE F-5 WOULD REPLACE THE OBSOLETE F-86 AIRCRAFT AND WOULD ENHANCE AIR DEFENSE OF THE ARCHIPELAGO. SINCE MALAYSIA, THAILAND AND THE PHILIPPINES ALREADY HAVE THESE AIRCRAFT AND SINGAPORE IS CURRENTLY NEGOTIATING THEIR PURCHASE, INDONESIAN ACQUISITION OF F-5'S SUPPORT THE GOAL OF ACHIEVING EQUIPMENT COMMONALITY AMONG ASEAN NATIONS. ALTERNATIVES TO THE F-5 ARE MORE COSTLY AND MORE DIFFICULT TO MAINTAIN.

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(4) CO-PRODUCTION OF M-16 RIFLE. THE GOI MAY SEEK AGREEMENT FOR ESTABLISHING A FACILITY TO CO-PRODUCE THE M-16 RIFLE, WHICH WOULD BECOME THE STANDARD SMALL ARM OF THE INDONESIAN FORCES. WE ANTICIPATE THAT FMS CREDITS WILL BE SOUGHT FOR THIS PROJECT WITH COMMERCIAL CREDIT OR FMS CASH AS LIKELY ALTERNATIVES. THE PRESENT MIX OF SMALL ARMS IN THE INDONESIAN INVENTORY INCLUDES A LIMITED NUMBER OF MODERN M-16'S ALONG WITH THE M-1, AK-47, BM-59, M-1903 ENFIELD, M-1 CARBINE, BELGIAN FN AND SEVERAL VARIETIES OF LOCALLY-PRODUCED WEAPONS. PROVIDING

SPARE PARTS AND MAINTENANCE SUPPORT FOR THIS INCONGRUOUS MIX OF SMALL ARMS IS DIFFICULT AND EXPENSIVE. IN ADDITION TO THE OBVIOUS MERITS OF STANDARDIZATION FOR THE ESTABLISHMENT OF A VIABLE SELF-DEFENSE FORCE, AN M-16 FACILITY WOULD CONTRIBUTE TO THE OBJECTIVE OF EQUIPMENT COMMONALITY WITHIN ASEAN. SINCE MUCH OF THE MACHINERY SUPPLIED WOULD BE SUITABLE FOR MANUFACTURING SUCH CIVILIAN ITEMS AS AUTOMOTIVE COMPONENTS, AGRICULTURAL IMPLEMENTS AND ELECTRICAL PARTS, THE FACILITY WOULD ALSO BROADEN INDONESIA'S TECHNOLOGICAL BASE AND ENHANCE ECONOMIC SELF-RELIANCE.

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(5) RADAR/COMMAND/CONTROL COMMUNICATIONS SYSTEMS. THE GOI MAY SEEK TO ACQUIRE GROUND, SEA AND AIR SURVEILLANCE EQUIPMENT TO ENHANCE ITS QUICK REACTION DEFENSE CAPABILITY. WHILE THE GOI WOULD PREFER TO USE FMS CREDITS, IF THIS IS NOT AVAILABLE, IT MAY RESORT TO COMMERCIAL FINANCING. THE GOI DESIRES THESE SYSTEMS TO DEFEND AGAINST ENEMY (OR SMUGGLER) MOVEMENTS ON THE AID/SEA APPROACHES IN THE MALACCA STRAITS AND THE SOUTH CHINA SEA. AN IMPROVEMENT OF THE GOI'S CAPABILITIES IN THIS AREA WOULD SUPPORT THE US OBJECTIVE OF INCREASING INDONESIA'S SELF-RELIANCE IN SECURITY MATTERS.

E. IMPACT OF DEFENSE SPENDING ON THE ECONOMY. IN KEEPING WITH ITS PERCEPTION OF THE INTERNAL SECURITY THREAT, THE GOI HAS CONTINUED TO PLACE PRIMARY EMPHASIS ON ECONOMIC DEVELOPMENT. DEFENSE EXPENDITURES IN PAST AND IN THE COMING YEARS' COMBINED NATIONAL BUDGET AMOUNT TO LESS THAN 15 PERCENT OF THE TOTAL. FURTHERMORE, OVER 90 PERCENT OF THE DEFENSE BUDGET HAS BEEN FOR ROUTINE OR OPERATIONAL EXPENSES (DEFENSE ITEMS ACCOUNT FOR LESS THAN 3 PERCENT OF CAPITAL INVESTMENTS IN THE "DEVELOPMENT" BUDGET). PURCHASE RECENTLY MADE OR NOW CONTEMPLATED (FIGHTER AIRCRAFT, SUBMARINES, PATROL CRAFT, SURVEILLANCE/COMMAND/CONTROL SYSTEM) ARE SIGNIFICANT WHEN COMPARED TO THOSE OF IMMEDIATELY PRECEDING YEARS BUT ARE ONE-TIME PURCHASES TO REPLACE SERIOUSLY OBSOLETE EQUIPMENT OR TO UPGRADE FIGHTING EFFECTIVENESS. THE FULL BURDEN OF DEBT SERVICING FOR THESE LATEST PURCHASES WILL NOT IMPACT UNTIL THE MID-1980'S, AVOIDING THE EXPECTED DEBT SERVICING PEAK IN FY 79-80.

F. USG/CONTRACT PERSONNEL REQUIRED FOR ANTICIPATED PURCHASES. INDONESIA'S ANTICIPATED PURCHASES OF US DEFENSE ITEMS IN FY 79 WILL REQUIRE A NOMINAL NUMBER OF USG OR CONTRACT PERSONNEL IN-COUNTRY. IN SUPPORT OF THE

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F-5 ACQUISITION, THE GOI HAS REQUESTED A US AIR FORCE MOBILE TRAINING TEAM (MTT) CONSISTING OF ONE INSTRUCTOR PILOT AND SIX TECHNICIANS FOR A PERIOD OF 179 DAYS. IN ADDITION, THE F-5 PROJECT WILL REQUIRE FOUR CIVILIAN CONTRACT TECHNICIANS FOR A TWO-YEAR PERIOD AND ONE FOR A ONE-YEAR PERIOD. WHILE THE PROPOSAL SUBMITTED BY COLT IN JULY, 1976 DID NOT SPECIFY THE NUMBER OF CONTRACT PERSONNEL OR THE LENGTH OF TIME THEY WOULD BE REQUIRED FOR THE M-16 CO-PRODUCTION FACILITY, WE ESTIMATE THAT 10-30 WOULD BE NEEDED FOR ASSIGNMENT TO BANDUNG, THE PROPOSED MANUFACTURING SITE. INSTALLMENT OF SURVEILLANCE/COMMAND AND CONTROL SYSTEMS WOULD REQUIRE LESS THAN 10 CIVILIAN CONTRACT PERSONNEL IN-COUNTRY FOR A ONE-YEAR PERIOD. SINCE THE NUMBER OF SUPPORT PERSONNEL INVOLVED IN THESE MAJOR PURCHASES IS MINIMAL, THERE WOULD BE NO MAJOR PROBLEMS GENERATED BY THEIR PRESENCE.

G. DEFENSE ARTICLES/SERVICES AVAILABLE FROM THIRD COUNTRIES. ALL ITEMS NEEDED BY THE INDONESIAN ARMED FORCES ARE AVAILABLE FROM THIRD COUNTRY SOURCES. INDONESIA HAS WITHIN THE LAST 24 MONTHS PURCHASES AMMUNITION AND EQUIPMENT FROM WEST GERMANY, FRANCE, GREAT BRITAIN, ITALY, BELGIUM, THE NETHERLANDS, YUGOSLAVIA AND SOUTH KOREA. WHILE INDONESIA PREFERS US EQUIPMENT BECAUSE OF ITS HIGH QUALITY AND THE SATISFACTORY SPARE PARTS/FOLLOW-ON SUPPORT, IT IS INTERESTED IN DIVERSIFYING TO SOME DEGREE ITS SOURCES OF SUPPLY. INDONESIA HAS MADE PURCHASE COMMITMENTS FOR SURFACE CRAFT FROM THE NETHERLANDS AND SOUTH KOREA AND SUBMARINES FROM WEST GERMANY. IT IS NOW NEGOTIATING WITH FRANCE, ITALY, CZECHOSLOVAKIA AND THE REPUBLIC OF CHINA FOR SUCH MILITARY ITEMS AS AIR-CRAFT, RIFLES, AMMUNITION AND NAVAL CRAFT. INDONESIA IS ALSO SERIOUSLY CONSIDERING THE FRENCH MIRAGE AIRCRAFT AS A POSSIBLE ALTERNATIVE TO THE F-5, IN THE EVENT THE F-5 SALE IS NOT APPROVED FOR PURCHASE UNDER FMS CREDITS OR FMS CREDIT TERMS ARE LESS ATTRACTIVE THAN THOSE OFFERED BY FRANCE. TO ALL INDICATIONS THE GOI WILL PROCEED WITH
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ITS MILITARY DEVELOPMENT PLANS WITH OR WITHOUT US ASSISTANCE.

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H. ARMS CONTROL IMPACT. THERE WOULD BE NO ARMS CONTROL IMPACT FROM THE PURCHASE OF THE F-5E AIRCRAFT OR THE M-16 CO-PRODUCTION FACILITY IN TERMS OF INTRODUCING NEW MILITARY CAPABILITIES INTO THE AREA SINCE BOTH ITEMS ARE POSSESSED BY OTHER ASEAN COUNTRIES. SINGAPORE AND MALAYSIA ALSO PRESENTLY POSSESS RADAR SURVEILLANCE EQUIPMENT SIMILAR TO THAT SOUGHT BY THE GOI, AND THERE HAS EVEN BEEN SOME DISCUSSION AMONG THE THREE NATIONS OF JOINT SURVEILLANCE COOPERATION.

I. HUMAN RIGHTS. THERE HAVE BEEN NO SIGNIFICANT NEW DEVELOPMENTS IN THE AREA OF HUMAN RIGHTS SINCE SUBMISSION OF THE FY 1978 CPD. THE FACT THAT INDONESIAN MILITARY LEADERS PREFERRING US EQUIPMENT ARE THE KEY DECISION MAKERS IN HUMAN RIGHTS MATTERS REINFORCES THE LINKAGE BETWEEN THESE TWO ISSUES. WE HAVE IN THE PAST AND CAN IN THE FUTURE BENEFIT FROM THIS FACT IN FOSTERING PROGRESS ON HUMAN RIGHTS. THIS TIGHT LINKAGE CAN ALSO, HOWEVER, WORK IN COUNTER-FASHION. INDONESIAN MILITARY LEADERS FROM PRESIDENT SUHARTO DOWN ARE HIGHLY SENSITIVE TO THE MANNER IN WHICH OUR LEVERAGE IN THIS AREA IS EXERTED, AND SPECIAL FINESSE IS REQUIRED TO AVOID A

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BACKLASH WHICH COULD HARDEN THE GOI'S HUMAN RIGHTS STANCE AND DAMAGE OTHER ASPECTS OF OUR BILATERAL RELATIONSHIP. FOR THIS REASON, IT IS IMPORTANT THAT ADVERSE DECISIONS ON SECURITY ASSISTANCE BE BASED ON GROUNDS WHICH THE INDONESIANS FIND UNDERSTANDABLE AND POLITICALLY ACCEPTABLE.

J. ARMS CONTROL. OUR POLICY OF EXERCISING RESTRAINT IN CONVENTIONAL ARMS TRANSFERS AND ENLISTING MULTI-LATERAL COOPERATION TO THIS END COINCIDES WITH THE GOI'S NEED TO

MODERNIZE CERTAIN SECTORS OF ITS DEFENSE FORCES. WHILE THE GOI WILL CONTINUE TO PREFER CERTAIN TYPES OF US EQUIPMENT, IT WILL NOT HESITATE TO TURN TO THIRD COUNTRY SOURCES WHEN EITHER US POLICY OR MORE FAVORABLE CREDIT TERMS RENDER THIS ALTERNATIVE NECESSARY OR MORE DESIRABLE. THE GOI IS NOT NOW AND IS UNLIKELY TO BECOME A SIGNIFICANT ARMS SUPPLIER.

K. IMET. FOR FY 1979, APPROXIMATELY 85 PERCENT OF IMET DOLLARS HAS BEEN EARMARKED FOR PROFESSIONAL AND RESOURCE MANAGEMENT TRAINING COURSES, THE REMAINING GOING TO TECHNICAL TRAINING. THESE CAREER COURSES PROVIDE INDONESIAN OFFICERS MAXIMUM EXPOSURE TO US INSTITUTIONS AND CULTURE, WITH BENEFICIAL IMPACT ON THEIR ATTITUDES TOWARD US AND ON THEIR VALUE SYSTEM. IN VIEW OF THE BROAD ROLE THE INDONESIAN MILITARY WILL CONTINUE TO PLAY IN THEIR SOCIETY, THIS DIVIDEND IS PARTICULARLY IMPORTANT. WITH INDONESIA'S DEBT SERVICING BURDEN PEAKING DURING THE 1978-80 PERIOD, FUNDING OF TRAINING OTHER THAN BY IMET WILL PROBABLY BE AVOIDED.

7. CONCLUDING COMMENTS: THE CONGRESSIONAL BAN ON GRANT ASSISTANCE AND THE PRESIDENT'S NEW ARMS PROLIFERATION POLICY COINCIDE WITH THE COMPLETION OF MANY OF THE PROJECTS WHICH CHARACTERIZED OUR PREVIOUS MAP AND WITH THE LAUNCHING OF A MODEST INDONESIAN EQUIPMENT MODERNIZATION PROGRAM. THIS GIVES

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US SOME PROBLEMS BUT ALSO A GOOD OPPORTUNITY TO REDEFINE OUR MILITARY ASSISTANCE RELATIONSHIP FROM A ZERO BASE BUDGETING CONCEPT. IN SO DOING, WE MUST CAREFULLY WEIGH THE SYMBOLIC CONTEXT OF ALL EXCHANGES WITH THE INDONESIANS ON THE FUTURE PROGRAM SINCE THESE WILL HELP FORM THEIR PERCEPTION OF THE NEW ADMINISTRATION'S LONG TERM SECURITY INTERESTS IN THE REGION.

8. THE TIMING AND TONE OF OUR RESPONSES MAY IN SOME INSTANCES OUTWEIGH THEIR SUBSTANCE. AN EARLY ANNOUNCEMENT OF LIBERALIZED FMS CREDIT TERMS (WHICH I BELIEVE ARE JUSTIFIED ON ECONOMIC GROUNDS) COULD HELP BUILD CONFIDENCE IN OUR RELATIONSHIP EVEN IF IT WERE FOLLOWED BY POLITELY TURNING DOWN A CHERISHED GOI PROJECT SUCH AS THE M-16 CO-PRODUCTION FACILITY. SHOULD OUR RESPONSES TO THE GOI'S INITIAL REQUESTS BE LARGELY UNQUALIFIED NO'S, OR BASED ON AN ADVERSE JUDGEMENT OF THEIR HUMAN RIGHTS POLICIES, THE INDONESIANS MIGHT WELL DECIDE TO DISPENSE WITH FMS CREDITS (A DECISION SUHARTO SEEMED EARLIER TO HAVE CONTEMPLATED WHEN HE MISINTERPRETED THE THRUST OF CONGRESSIONAL HUMAN RIGHTS INQUIRIES).

9. WHILE THE CESSATION OF THE U.S. MILITARY ASSISTANCE

PROGRAM IS UNLIKELY IN ITSELF TO TRIGGER A SERIOUS
DETERIORATION IN OUR BILATERAL RELATIONSHIP, IT COULD
LIMIT OUR ACCESS TO AND INFLUENCE IN POLICYMAKING CIRCLES,
PARTICULARLY ON HUMAN RIGHTS QUESTIONS. UNLESS IT IS
CLEARLY ACCOMPANIED BY A DEMONSTRATED U.S. WILLINGNESS TO
REMAIN A SIGNIFICANT POWER IN THE ASIAN AREA, SUCH ACTION
WOULD HEIGHTEN CONCERN OVER U.S. INTENTIONS AND CAUSE THE
INDONESIANS TO CONSIDER US LESS RELEVANT TO THEM AND BEGIN
COSTLY PREPARATIONS TO MEET THE CONSEQUENCES OF U.S.
DISASSOCIATION FROM SOUTHEAST ASIAN SECURITY.

10. LIBERAL FMS CREDIT TO COVER A PORTION OF THE COSTS OF
SUCH MODERNIZATION PROJECTS AS JET INTERCEPTOR ACQUISITION

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OR RADAR/COMMUNICATIONS FACILITIES WOULD, ON THE OTHER
HAND, SIGNAL ON-GOING U.S. INTEREST IN THE AREA, ENCOURAGE
CONTINUED DOMESTIC FOCUS ON ECONOMIC DEVELOPMENT, AND
PERMIT US TO PURSUE DISCREET, EFFECTIVE LOBBYING ON BEHALF
OF OUR OTHER OBJECTIVES. FINALLY, IT WOULD RESULT IN
BETTER EQUIPPED INDONESIAN MILITARY FORCES, WHICH I
BELIEVE SERVE OUR INTEREST IN PRESERVING STABILITY IN
SOUTHEAST ASIA AND THE SECURITY OF THIS STRATEGICALLY
IMPORTANT ARCHIPELAGO.

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Message Attributes

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